

# TESTIMONY

RAND

## *Inviting In the Private Sector*

*Robert Klitgaard*

CT-199

*October 2002*

*Testimony presented to the Committee on International Relations of the U.S. House of Representatives in hearing on "The Fight against Corruption: The Unfinished Agenda," Washington, D.C. on September 20, 2000*

### **DISTRIBUTION STATEMENT A**

Approved for Public Release  
Distribution Unlimited

The RAND testimony series contains the statements of RAND staff members as prepared for delivery. The opinions and conclusions expressed in this written testimony are the author's alone and should not be interpreted as representing those of RAND or any of the sponsors of its research.

20030325 008

Published 2002 by RAND

1700 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138

1200 South Hayes Street, Arlington, VA 22202-5050

201 North Craig Street, Suite 202, Pittsburgh, PA 15213

RAND URL: <http://www.rand.org>

To order RAND documents or to obtain additional information,  
contact Distribution Services: Telephone: (310) 451-7002;  
Fax: (310) 451-6915; Email: [order@rand.org](mailto:order@rand.org)

## Inviting in the Private Sector

Testimony before the Committee on International Relations of the U.S. House of Representatives  
in hearing on "The Fight against Corruption: The Unfinished Agenda," Washington, D.C.,  
September 20, 2000.

by

Robert Klitgaard<sup>1</sup>

The RAND Graduate School

Thank you for inviting me to testify on efforts to fight global corruption. I am Robert Klitgaard, Dean and Ford Distinguished Professor of International Development and Security, the RAND Graduate School in Santa Monica, California. The Graduate School is part of RAND, a nonprofit institution that helps improve policy and decisionmaking through research and analysis. The opinions and conclusions expressed in this testimony are mine and should not be interpreted as representing those of RAND or any of the agencies or others sponsoring my research.

One part of the unfinished agenda in the international fight against corruption is how to invite in the private sector.

After all, corruption does not just involve government. Business people and lawyers and citizens pay the bribes, even as they condemn bribery. They should be invited to become part of the solution. But how?

The first point to note is that business people and citizens know where corruption exists and how corrupt systems work. Citizens understand how bribery shapes the services they receive or don't receive. Accountants know the illicit games played with audits and taxes. Lawyers understand corrupt legal practices. Business people know all about corrupt systems of procurement and contracting.

But there is a second point: they *know*, but they *can't say*, at least not publicly. In many countries, if an individual stands up to denounce a corrupt system, he or she will be attacked by it.

So, the trick is how to learn what people know about corruption without asking them to commit suicide.

Please consider this idea. With the leadership of the American government and our private sector, other countries are invited to join in an international effort. Together we pick three areas that are particularly prone to corruption, such as procurement, pharmaceuticals, and the police.

In each country, people in the private sector are asked in confidential interviews how corrupt systems work, but not about specific individuals. The results of many such interviews becomes a diagnostic of each area. What is the informal process, how extensive is the corruption, how does it work, how do its perpetrators avoid detection or prosecution?

Using the diagnostic, improvements are sought. How can formal systems be strengthened? How can corrupt systems be subverted? Answers are developed through cooperation between

---

<sup>1</sup> Dean and Ford Distinguished Professor of International Development and Security, The RAND Graduate School, Santa Monica, CA 90407-2138. E-mail: gaard@rgs.edu

government and the private sector.

Reforms follow. And then, after some time, the same sorts of confidential interviews leading to diagnostics are used to monitor progress.

### ***Political Benefits***

This idea is politically attractive, especially compared with the usual anti-corruption strategies, which many countries find offensive.

Imagine you are the president of country X. Suppose you are told that as a condition for foreign aid you must clean up corruption in your government. This may put you in a tough spot. If you agree to the demands, the opposition may say, "Yes, we told you so and now they admit it—this administration is corrupt." Your cabinet members and your civil servants may wonder why you are bashing them.

Now contrast your reaction to the idea proposed here, an international effort that invites in the private sector. You are pleased that all sectors and all countries are combining to battle this universal problem, the cancer of international corruption. You point out that the diagnostic studies are being carried out in many countries, including the United States, and that these studies address the international dimensions of bribery as well. You are glad that the private sector and citizens in general are recognizing that this problem involves all of us, that all of us must be part of the solution. And so forth—I think we all can begin to write the speech.

There is a final advantage to the idea: it is relatively inexpensive. We are talking about a total of perhaps 100 to 150 confidential interviews per country, some culling and sharing both nationally and internationally, appropriate remedial measures, and follow-up.

### ***What Needs to Be Done?***

How might this idea be pursued?

1. Develop the idea in dialogue with USAID, the Commerce Department, business organizations, and organizations such as Transparency International.
2. Share the concept with other countries for further refinement.
3. With these collaborators, design the diagnostic study of the three or four sectors per country.
4. Organize the collection of data in each country. Confidentiality of individuals surveyed is important, so it may be advisable to involve non-nationals in the administration of the survey.
5. Share the results of the diagnostic study with the private sector, citizens' groups, and government officials. Redraft it and come up with joint recommendations (for both the private sector and government, of both national and international scope).
6. Share the results and recommendations in an international meeting.
7. Implement the recommendations, perhaps with international cooperation.
8. Follow up progress a year later and thereafter.
9. Leverage the partnerships developed through this process to take further steps in the fight against corruption.

### ***Conclusion***

To conclude, "inviting in the private sector" means learning what business people, professionals, and citizens know about problems and solutions but are unable publicly to proclaim.

In the particular idea I've outlined here, the United States would take the lead in a set of international, private-sector-based studies of how corrupt systems work and how they might be cleaned up. The idea goes beyond international conventions and codes of conduct. It goes beyond foreign aid directed at capacity building or "more of the same." Inviting the private sector should be part of the new agenda in international cooperation against corruption.